

VZCZCXYZ3841
PP RUEHWEB

DE RUEHBUL #0578/01 0660759
ZNR UUUUU ZZH
P 060759Z MAR 08
FM AMEMBASSY KABUL
TO RUEHC/SECSTATE WASHDC PRIORITY 3147
INFO RUCNAFG/AFGHANISTAN COLLECTIVE
RUEHZG/NATO EU COLLECTIVE
RUEKJCS/OSD WASHINGTON DC
RUEKJCS/JOINT STAFF WASHINGTON DC
RUEKJCS/SECDEF WASHINGTON DC
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RUEAIIA/CIA WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

UNCLAS KABUL 000578

SIPDIS

DEPT FOR SCA/RA, SCA/A, EEB, EEB/ESC/IEC (GRIFFIN)
DEPT PASS AID/ANE, OPIC
DEPT PASS USTR FOR LILIENFELD AND KLEIN
DEPT PASS OPIC FOR ZAHNISER
DEPT PASS TDA FOR STEIN AND GREENIP
CENTCOM FOR CG CFC-A, CG CJTF-76, POLAD, JICENT
NSC FOR JWOOD
TREASURY FOR ABAUKOL, BDAHL, AND MNUGENT
MANILA PLEASE PASS ADB/USED
PARIS FOR USOECD/ENERGY ATTACHE
OSD FOR SHIVERS, SHINN
COMMERCE FOR DEES, CHOPPIN, AND FONOVICH

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E.O. 12958 N/A
TAGS: [ENRG](#) [EFIN](#) [ETRD](#) [KPWR](#) [EAID](#) [PGOV](#) [AF](#)
SUBJECT: AF: Update on USG Energy Projects.

¶1. (U) The following cable provides a current status update on USG energy sector projects in Afghanistan.

¶2. (U) KABUL 100 MW GENERATOR SETS (GENSETS) - Delivery of the first six (of total 18) generators for the project is expected in May ¶2008. While progress is on track with manufacturing, we are watching delivery logistics closely. Contractor Louis Berger Group/Black & Veitch (LBG/B&V) is finalizing transportation arrangements and USAID is working with them to ensure the project does not fall behind schedule. Per the agreement reached when the project began, the IROA has transferred USD 10 million, half of its total contribution to the project, to the U.S. Treasury. The second USD 10 million payment is due in April 2008.

¶2. (U) North East Power System (NEPS) - UZBEK COMPONENT - Following two successful visits by IROA officials in December 2007 and January 2008, a third visit took place February 4 - 10, 2008. As of February 21, the Ministry of Economy reported that the Uzbeks and Afghans have agreed upon a USD 12.5 million price tag for the construction of 43 km of 220 kv line within Uzbekistan to link the two power systems as well as the upgrade of the Surkhan substation located on their shared border. The IROA will fund the project in order to facilitate power imports in October 2008. DABM, the Afghan national power utility, will sign the construction contract with Uzbekenergo, the Uzbek power utility, once the project is ratified by the Uzbek Cabinet. Ratification is expected shortly. This will be followed by a second negotiation to finalize and sign a Power Purchase Agreement (PPA) for long-term (20 year) imports of 150 MW of power, expected to rise to 300 MW within the next three years. Although Ministry of Energy and Water (MEW) officials tell us the basics of the PPA have been agreed, a formal negotiation, followed by Uzbek Cabinet ratification is expected to take several months.

¶3. (U) Two components essential to the successful functioning of the NEPS system, Reactive Power Compensation (RPC) and a National Load

Dispatch and Control Center (NLDCC) are also proceeding apace. Although full RPC implementation is expected to take over 12 months, the portion of the RPC needed to successfully receive Uzbek power will be completed by October/November 2008. The NLDCC is expected to be completed in 24 months (March 2010), however interim provisions for communications and protection of the NEPS transmission lines (particularly the Uzbek line) are being prepared to ensure proper function once imports begin in late 2008.

¶4. (U) NEPS - TAJIK AND TURKMEN COMPONENTS - Although the MEW plans to send delegations to both nations over the next few months to begin PPA discussions, no other significant developments have occurred. Both nations continue to indicate a willingness to sell available power and financing and construction timelines remain under discussion.

¶5. (U) SHEBERGHAN GAS FIELD TESTING - Although the contract for mobilization to the site was signed February 6, there have been some delays as the bidder subsequently increased his price for the mobilization and testing work. The project was then awarded to the second bidder and is expected to be finalized in mid-March. Unlike the 100 days for mobilization for the first bidder, the second bidder is expected to take only 30 days to mobilize into the field, keeping the late June timeline for initial well test results on track.

¶6. (U) South East Power System (SEPS) - Security problems persist in the Kajaki Dam area but some progress is being made. Parts delivery via helicopter airlift was completed. This will enable work on Turbine 3 to proceed. Negotiations are underway with the subcontractor to add additional shifts and complete work earlier than previously scheduled thereby minimizing the time the turbine must be off-line. Additional personnel are expected at the site in mid March. This too is expected to increase the pace and cost of

turbine rehabilitation. Delivery of Turbine 2 to the site remains problematic. Its heavy components can not be air lifted; hence land transport must be arranged. The security situation continues to preclude regular delivery by a subcontractor although we continue to explore ways to facilitate such a move.

¶7. (U) DABM COMMERCIALIZATION - please refer to KABUL 0516 for further information.

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